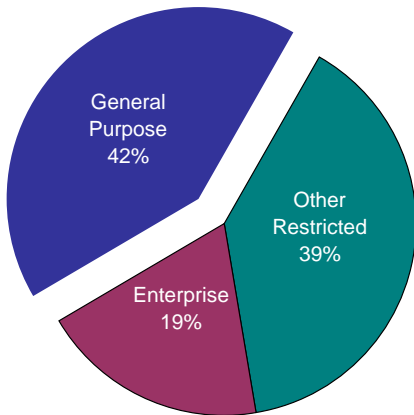




FY 2006 RECOMMENDED BUDGET

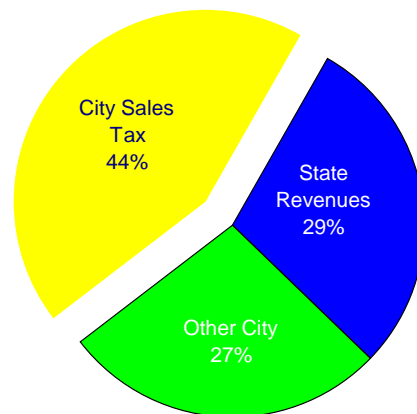


The FY 2006 budget consists of \$422 million in general purpose funds, which carry no restrictions, \$190 million in enterprise funds (Water, Environmental Services, Golf), and \$387 million from other restricted funds. Total funding decreased \$33 million from FY 2005 as a result of reductions in capital and federal funding. Included in this reduction is the \$25 million borrowed in FY 2005 for street maintenance.

FY 2006 is the second year of the biennial budget approved last year by the Mayor and Council. Many of the changes in the budget for FY 2006 were already anticipated when the biennial budget was adopted. The current recommendations for FY 2006 are largely consistent with those already approved except for the funding of our library system. Discussions between the City and County have resulted in a proposed transition to full funding through the Pima County Library District tax. This will require that the city continue to contribute \$8 million in FY 2006. These funds will be provided through savings in personnel costs, deferring an upgrade to the business license system, and savings from FY 2005.

GENERAL PURPOSE FUND BUDGET

General purpose funds, which are the primary support for core services such as Police, Fire, Public Transit, and Parks, are made up of City sales tax of \$184 million, State funds returned to the City of \$124 million, and other City revenues of \$114 million. City primary property taxes are 2% of general purpose funds



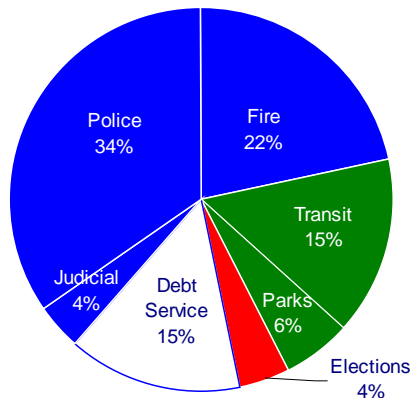
GENERAL PURPOSE FUNDS BUDGET – REVENUE CHANGES

General purpose funds increased \$27 million from FY 2005. The increase will come in large part from projected revenue growth based on economic forecasts. This increase is not from new fees or taxes.

- City sales tax increases \$8 million based on 5% growth
- State income tax increases \$6 million based on 13% growth
- State sales tax increases \$4.5 million based on 10% growth
- Other revenues will grow a combined \$6 million
- Savings from FY 2005 will provide \$2.5 million

The State income and sales tax amounts are based on projections by the State.

GENERAL PURPOSE FUNDS BUDGET – EXPENDITURE CHANGES



More than 80% of \$27 million increase will go to the core services.

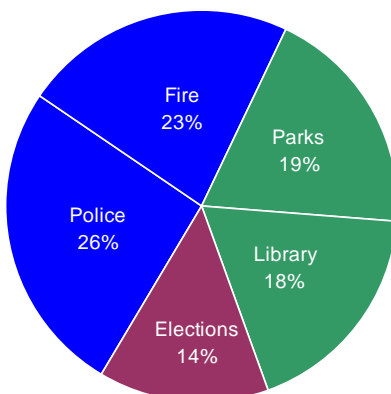
\$10 million in Police including 27 new officers and 11 support staff.

\$6 million in Fire including 25 officers for a ladder company, paramedic company and inspections. The household hazardous waste program adds 8 positions.

\$4 million in public transit to replace SunTran buses and VanTran vans.

\$1 million in Parks and Recreation to open the Quincie Douglas Pool and expansions of the Clements and El Pueblo Centers, including 27 staff.

STAFFING CHANGES



The number of City employees will grow just over 2% through the addition of 143 positions. Approximately 86% of these new employees will be in core service areas of Police and Fire, with almost half of the increase, and in Parks and Library. The increases in Police of 38 positions, Fire of 33 positions, and Parks with 27 positions are explained in the section on general purpose expenditures. Library will add 26 positions to open the new Quincie and Midtown library branches and to expand services at existing branches.

Elections in November 2005 will require the equivalent of 20 temporary workers.